

VZCZCXR00452
PP RUEHBI RUEHCI
DE RUEHCI #0041/01 0381217
ZNR UUUUU ZZH
P R 071217Z FEB 07
FM AMCONSUL KOLKATA
TO RUEHC/SECSTATE WASHDC PRIORITY 1384
INFO RUEHNE/AMEMBASSY NEW DELHI 1279
RUEHBI/AMCONSUL MUMBAI 0538
RUEHCG/AMCONSUL CHENNAI 0544
RUEHRC/DEPT OF AGRICULTURE WASHINGTON DC
RUCPDOC/DEPT OF COMMERCE WASHINGTON DC
RUEATRS/DEPT OF TREASURY WASHINGTON DC
RUEHCI/AMCONSUL KOLKATA 1708

UNCLAS SECTION 01 OF 03 KOLKATA 000041

SIPDIS

SENSITIVE
SIPDIS

DEPT PLS PASS USTR

E.O. 12958: N/A

TAGS: [EAGR](#) [ECON](#) [EIND](#) [EINV](#) [PGOV](#) [IN](#)

SUBJECT: WEST BENGAL'S LAND BATTLE HIGHLIGHTS CHALLENGES OF
TRANSITION FROM AGRICULTURE TO INDUSTRY

REF: A) CALCUTTA 00011, B) 06 CALCUTTA 00578

¶1. (SBU) Summary: During the past six months, the Government of West Bengal (GOWB) and Tata Motors have found themselves embroiled in a political battle over acquisition of agricultural land in Singur district. The controversy has been fueled by a lack of transparency in the land acquisition process, political opportunism, and by substantial segments of the agriculture dependent population in Singur that were left out of the government compensation scheme. The compensation package divided Singur's agriculture sector into clear winners and losers. Construction of the car plant is going forward amid protests, and the political opposition has now shifted the battle over land acquisition to other locations in West Bengal, including another rural district of Nandigram.

¶2. (SBU) Land acquisition has taken on broader implications as India's major political parties weigh-in on the issue. In a recent event sponsored by the Federation of Indian Chambers of Commerce and Industry (FICCI) in Kolkata, party leaders appeared to present similar views on land policy. A national consensus, however, remains elusive. Until compensation packages take into account all those who stand to lose out on the shift from agriculture to industry, the GOI will find it extremely difficult to avoid violent incidents during future land acquisition projects. Such a task may further prove impossible unless significant changes address corruption and a lack of transparency in the land acquisition process. End Summary.

The Legal Process

¶3. (U) In Singur, the West Bengal Industrial Development Corporation (WBIDC) acquired 997.11 acres of land needed for the Tata Motors car factory project. WBIDC acquired the land under the Land Acquisition Act, drafted by the British in 1894. The Tata motors site spans five precincts - Gopalnagar, Beraberi, Khaserbheri, Bajemelia and Singherbheri - with each precinct giving up between 10 and 78 percent of its land to accommodate the factory. WBIDC claimed to have followed the proper legal process for land acquisition: issue of the land acquisition notice, declaration of award (compensation) and payment of compensation. In Singur, WBIDC provided notice of land acquisition on July 20, 2006, declared compensation on September 23, 2006 and started payment immediately thereafter.

¶4. (U) Under the Indian Land Acquisition Act, the government land administrator (called the Collector) does not have to obtain the individual consent of landowners in order to acquire

their land. Landowners can object to the acquisition by filing an objection within 30 days of the notice. The government is mandated by the law to hear these objections, although it has the final decision on the acquisition. Alternatively, the ACT contains a provision whereby landowners can agree in writing to the compensation offered. The consent to award is an indicator of the citizen's involvement in the compensation process. However, withholding consent does not prevent the Collector from declaring the award and acquiring the land. So far, the WBIDC has received consent for compensation of 958.84 acres.

15. (U) After announcing the compensation package in September, the Collector took over the entire 997.11 acre in Singur on October 4, 2006 and handed it over to the WBIDC. A redesignation of the land usage from agriculture to industry was completed on November 6, 2006 in accordance with West Bengal law. On December 27, 2006, WBIDC gave Tata Motors "permissive possession" of the land, allowing the company to carry out soil testing and a topographical survey.

The Compensation Package - Winners and Losers

16. (U) The compensation offered in Singur had four components: 1) a basic price; 2) a premium of 30 percent over basic price; 3) interest at the rate of 12 percent for the period between the date of notification and the date of award declaration; and 4) crop compensation as assessed by the Collector. In addition, 10 percent of the basic land price was paid to those who submitted their consent letter within the stipulated time frame. There were two types of award based on the type of land given over: one for single-crop land (USD \$19,500 per acre) and the other for multi-crop land (USD \$28,000 per acre). The GOWB will end up paying approximately USD \$27 million as compensation to Singur landowners. It has already disbursed USD \$18 million to

KOLKATA 00000041 002 OF 003

9,839 people and this accounts for 658 acres (out of a total 997.11 acres). Compensation remains to be paid to 2,400 more landowners. Contacts told post that while this may not be the most generous compensation package, it compares favorably to what other Indian states are offering to acquire agricultural land.

17. (U) Those that accepted the compensation package fall into three broad categories: 1) land owners (who are most often absentee), 2) registered bargadars (sharecroppers), and 3) landowners who stood to lose only part of their land. Those who opposed the GOWB scheme were principally unregistered sharecroppers, landowners who stood to lose their entire tract of land and therefore their livelihood, and daily-wage laborers such as rickshaw pullers, mechanics, and plumbers who provided services to the bargadars. (Note: Many of the unregistered sharecroppers have valid claim to parcels of land, but the W. Bengal State Land Reforms Department has been painfully slow in registering their titles. End Note.) These opponents of the land acquisition were courted by opposition politicians.

Taking the Battle Elsewhere

18. (U) Trinamul Congress chief Mamata Banerjee, recently recovered from her 25-day hunger strike in December (Reftel B), is now agitating for Singur's "losers" in other parts of W. Bengal. Rallying her supporters at Nandigram, where violence erupted last month over another GOWB proposal for land acquisition (Reftels), Banerjee promised continued action against the GOWB's efforts to obtain land for industry projects. Opponents of land acquisition have torn up roads in the Nandigram area and fought small battles with CPM party loyalists - resulting in 2 deaths. In response, the GOWB has emphasized that all stakeholders will be taken into account before any project goes forward.

National Politicians Speak

¶19. (U) On January 13, the Federation of Indian Chambers of Commerce and Industry (FICCI) organized a panel discussion in Kolkata entitled, "India in the Emerging Global Order: Opportunities and Pitfalls." The discussion centered mainly on land acquisition and offered intriguing perspectives from the India's major political parties, the Congress, BJP, and CPM.

¶10. (U) GOWB Finance Minister Asim Dasgupta outlined the CPM position on land acquisition policy as follows: If the land is single crop or government owned, land acquisition is not a problem. The land at Singur, however, is multi-crop fertile land. The GOWB paid land owners the market price of the land plus a 30% markup, he said. Sharecroppers were paid 25% of the market price of the land. (Note: When asked how land acquisition would affect Special Economic Zone (SEZ) policy, Dasgupta indicated that a comprehensive land plan is forthcoming that will delineate SEZs in the following manner: 50% of the SEZ land should be used for processes, 25% for process-related uses, and 25% for other uses, such as housing. End Note.)

¶11. (U) BJP national spokesperson Prakash Javadekar, rhetorically asking the W. Bengal Chief Minister to "come to Delhi and say the same thing [as Dasgupta]," argued that the BJP policy would shape up along similar lines. Fallow or waste land would be permitted for land acquisition, but multi-use or multi-crop land would be prohibited. Compensation, however, centered on the unanswered question for BJP leaders about what constituted "adequate" compensation. Javadekar, arguing that depriving a landowner of his land was an action that "none of us here would easily accept if it was our home," stated that adequate compensation meant at least 300% of market value. He also indicated that the land losers had to be made stakeholders in the industrialization process, but did not clarify on how this could be achieved.

¶12. (U) Representing the Congress party view, Congress Party National Spokesperson Dr. Abhishek Singhvi argued that the CPM position was perfectly acceptable, if only the CPM itself consistently applied its policy. Saying that the CPM continues to play politics with the land issue, Singhvi accused the CPM of supporting different land acquisition policies in different states, and suggested that the CPM come up with a consistent,

KOLKATA 00000041 003 OF 003

national paradigm for land acquisition. Singhvi's explanation of the Congress approach, perhaps reflecting his legal training, was methodical. First, no fertile land should be acquired. If that proved impossible, then the government should "minimally acquire" land through consensual, voluntary purchases from willing landowners. Market price should be the purchase price, but applied in a humane, logical manner.

Comment - India Not Poised On Land

¶13. (U) Surprisingly, at the FICCI discussion there seemed to be a great amount of agreement across party lines on land policy. So much so, in fact, that more than a few audience members angrily asked the panel why everyone couldn't seem to agree in New Delhi if they were all agreeing now. Yet, the controversy over land acquisition in West Bengal does highlight at least two fundamental challenges for West Bengal and the rest of India on land issues that are certain to arise in the future.

¶14. (SBU) First, who should be included in compensation schemes for land, and what is the best way to rehabilitate the individual sharecropper, landowner, and related service providers who have lost their livelihoods? As shown in Singur, legal title and registration of land ownership does not exist for a significant segment of the population working in the agricultural sector in India. These people are entirely cut out

of the potential benefits of land purchases and will receive no compensation, nor will they fall within potential rehabilitation schemes. These "losers" of the land game inevitably will be courted by opposition politicians seeking an increased vote bank, and who have the capacity to organize resistance to industrialization. In addition, it is far from certain that any government scheme could actually retrain or re-equip this sector with the skills needed to retain their livelihoods. As a result, state governments will face resistance and violence as land acquisition occurs.

¶15. (SBU) The second challenge is the need to improve and manage public perception of corruption and transparency in the land acquisition process. Due to the ease with which information (and rumors) spread, it is incumbent upon governments to provide easily accessible information early in the process. One of the GOWB's mistakes at Singur was trying to fast-track the sale of land behind closed doors. It is telling that the public's awareness and outcry over Singur only arose after deals for more than 900 acres of the land were already completed. As well, there was little accurate data available. Poloff had to ask numerous GOWB officials for hard numbers and specifics about the GOWB acquisition of land at Singur - and even then the "facts" provided were often inconsistent. One chief complaint by the Opposition was that no actual map showing land ownership and purchases in Singur was ever provided by the GOWB, for example. As a result, distortions and speculation about the compensation packages fed into anti-Singur sentiment.

¶16. (SBU) Last month's violence at Nandigram typified the poor information flow, even within the same political party (Reftel A). In that case, the lack of coordination between CPM leaders at the state level and their party loyalists at the village level, led to local party strongmen stoking and encouraging violence against land acquisition opponents in a bid to preempt another Singur. Without increased control over the policy and message at the top, the tendency of local political strongmen to vigorously enforce party dictates will probably remain undiminished and violence will increase as political opponents take advantage of underlying resentment against land acquisition.

¶17. (SBU) In the big picture, Indian policymakers must figure out what to do about the losers from India's shift from agriculture to industry. These will come from India's enormous lower class of more than 600,000 million people. The most striking aspect of the FICCI debate was that all three panelists, who had vowed to avoid politics at the outset of the discussion, fell back on the excuse of the difficulty in building a consensus in New Delhi. This may be seen as simply a demonstration of India's vibrant democracy. However, the time required for consensus-building will likely result in a slowing of industrial and infrastructure development as already evidenced by the GOI's delay in implementing its new SEZ policy.

JARDINE